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TAGS: [ENRG](#) [EPET](#) [PREL](#) [EINV](#) [TRGY](#) [QA](#)
SUBJECT: READOUT OF SECRETARY BODMAN'S JANUARY 22 MEETINGS
IN QATAR

REF: DOHA 75

Classified By: Charge d'Affaires Michael A. Ratney, for reasons 1.4 (b)
and (d).

¶1. (C) SUMMARY: U.S. Energy Secretary Samuel Bodman visited Qatar January 22 for meetings with Minister of Energy and Industry Abdullah Al-Attiyah, the Amir Hamad bin Khalifa Al Thani, and representatives of major U.S. energy companies in Qatar. Discussions focused on the U.S. perception that the international oil market is currently under-supplied; critical energy infrastructure security; the need to pursue alternate sources of energy, including nuclear power; and the extremely positive U.S.-Qatar energy relationship. END SUMMARY.

Amir Pleased with U.S. Role in Qatar's Energy Sector

¶2. (C) The Amir told Secretary Bodman that Qatar deeply appreciates the participation of U.S. companies in the energy and education sectors. When he came to power in 1995, Qatar was exporting 320,000 barrels/day of oil (b/d), but thanks to American companies (plus Maersk), Qatar is now approaching one million b/d. Secretary Bodman noted that U.S. energy companies are very happy in Qatar, but they do have a problem hiring and retaining enough qualified people. The Amir said housing shortages in Qatar contribute to the problem, and it would take a "long, long time" to find enough qualified Qataris for the positions, particularly because many Qataris prefer to start their own businesses and stay away from government employment. Secretary Bodman said the U.S. companies are not worried about corruption in Qatar. The Amir said that "at the top" there is no corruption, and the challenge is to "catch the small people." He said Qatar is fighting corruption and singled out Al-Attiyah for his work fighting corruption in the energy sector. Secretary Bodman said that compared to a country like Russia, Qatar is an easy place for U.S. companies to do business.

¶3. (C) Responding to a question by the Amir on the problem of energy around the world, Secretary Bodman explained that we will see continued efforts to diversify away from oil, including the development of bio-fuels, solar power, and nuclear power. Secretary Bodman described the Global Nuclear Energy Partnership (GNEP) to encourage development of nuclear power for positive purposes and in ways that are not conducive to proliferation. The Amir responded that Qatar "will be a little lazy for a while" in developing alternative sources of energy because it has so much natural gas, but added that because Qatar has sun all year and wind at the northern tip of the peninsula, the potential exists for alternative energy. Al-Attiyah added that Qatar Petroleum has a new committee to study renewable energy. The Amir

stressed that any such efforts should be done in cooperation with Education City, and Secretary Bodman added that Qatar's students from the Texas A&M branch campus will be interested in doing work on renewable energy. He said current prices for energy are stimulating work in the private sector, such as venture capital firms, and billions are currently being invested in energy ideas with as many as 30-40 new projects per quarter.

14. (C) Asked by the Amir if nuclear power is cheaper than natural gas, Bodman explained that this was obviously not the case for a gas producer like Qatar, but certainly it is for the United States, particularly because between now and 2030, energy demand in the United States will increase by 50 percent. Solar, wind, and bio-fuels currently cost more than conventional oil and gas sources, but DOE is encouraging research and development in areas that could result in greater cost-competitiveness. Secretary Bodman also described the President's efforts to push for the development of new nuclear power plants and said that although a new plant won't be built for perhaps ten years, the licensing process will be completed for one before the end of the current administration.

"A Great Partnership on Gas"

15. (C) During a separate expanded meeting with staff at the Ministry of Energy, Al-Attiyah expressed pleasure that Qatar would soon be "the number one supplier of liquefied natural gas (LNG) to the U.S. market." He boasted that Qatar is the leading Gulf country in terms of openness to foreign investment in the energy sector and joked that he sees the

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International Oil Companies' (IOC) participation in the development of Qatar's energy resources as "a long-term partnership, like a Catholic marriage that never ends in divorce." Noting that the U.S. would soon be one of Qatar's biggest customers for gas, Al-Attiyah expressed confidence in the successful completion of the Golden Pass LNG receiving terminal being constructed on the Texas-Louisiana border. (Note: Golden Pass is scheduled to be operational in mid-2009 and will be 70 percent owned by Qatar Petroleum, with a 17 percent ExxonMobil equity and a 13 percent ConocoPhillips equity. When completed, the terminal will receive 16 million tons of gas per year and have a surge capacity of about a million tons to allow for spot sales that could provide extra supplies when needed.) Qatar Petroleum (QP) Director of Oil and Gas Ventures, Saad Al-Kaabi, however, expressed concern that current dredging efforts by the U.S. Army Corps of Engineers around the Golden Pass terminal may not be sufficient to accommodate Qatar's new fleet of mega-tankers. Remarking that he had heard budget constraints might be limiting the Corps' work, he encouraged Secretary Bodman not to ignore this "seemingly small issue of strategic importance."

Egypt playing a "dangerous game" with Suez tolls

16. (C) Al-Attiyah and his advisors expressed concern over a 10.5 percent increase in Suez canal tolls for ships carrying LNG from Qatar to markets in Europe and North America. Al-Attiyah noted that the Egyptians appear to be thinking (incorrectly) that the high price of oil also extends to the natural gas market and they can therefore increase their take on such shipments. He said that further such increases would cause Qatar to look more toward increasing sales to Asian customers in order to protect their profits. Al-Attiyah pointed out that Qatar currently sends 7.5 million tons of gas per year to India, which has need of another 10 million, and is under pressure from China to increase exports to that country. QatarGas CEO Faisal Al-Suwaidi added that QatarGas

is currently studying the economic feasibility of supplying North America by routing shipments around Africa, thereby entirely avoiding the Suez Canal.

Press Conference Highlights Alternate
Sources of Energy, U.S.-Qatar Partnership

¶7. (U) During a joint press conference following their expanded meeting, Sec. Bodman highlighted the increasing global interest in energy security and the importance in developing alternative sources of energy. He noted that as fossil fuels become more expensive, it will be important for the Gulf region to develop the infrastructure, institutions, and technology required to use nuclear power. Sec. Bodman also expressed appreciation to Qatar for its investments in the United States, particularly the Golden Pass LNG terminal. Asked by the press about oil supply, Sec. Bodman noted that "the ultimate decision is OPEC's," but that "a case can be made that there is a shortage of oil in the market." Al-Attiyah responded with the same line he has used frequently to the press, that according to Qatar's customers there is no shortage, and speculators are to blame for the recent run-up in price. He also noted that oil had retreated from \$100 a barrel to around \$89 at the time of the press conference. Al-Attiyah also said there is a possibility for further Qatari investments in the United States, including refineries.

U.S. Businesses Pleased by Partnerships with Qatar

¶8. (C) The heads of the five major U.S. energy companies operating in Qatar (ExxonMobil, ConocoPhillips, Occidental, Anadarko, and Chevron) told Secretary Bodman during a private meeting that their relations are good with Qatar Petroleum and the GOQ. They said their work is far easier in Qatar than in most other foreign locations where IOCs operate today. The businessmen noted that there is a general lack of understanding of Qatar in Washington, particularly in terms of its critical ability to expand natural gas supplies. ExxonMobil and ConocoPhillips are already benefiting greatly from the exploitation of Qatar's gas reserves (e.g., 20 percent of ExxonMobil's global revenue will soon come from Qatar), and the other companies are positioning for the years after 2012, when Qatar expects to lift its current moratorium on new gas projects in the North Field. The businessmen

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urged more senior Administration visits to Qatar since high-level political engagement helps their business prospects.

¶9. (C) The businessmen agreed that while they find occasional corrupt practices, Qatar is the least corrupt of countries in their experience; the Scottish head of ExxonMobil comparing the Qatari level of corruption to that found in the United Kingdom. The representatives credited Al-Attiyah with taking a hard line against corruption and said that corruption, when discovered, is dealt with severely. There remains an obvious issue of family nepotism, in the view of these energy representatives, who pointed out that members of the ruling Al Thani family and other prominent tribes hold key positions in the energy industry based on familial ties more than merit.

Concern Over CFIUS, Increased Qatari Share of Projects

¶10. (C) The Committee on Foreign Investment in the U.S. (CFIUS) continues to cause angst among the businessmen's Qatari interlocutors. One noted that Qataris are "deeply offended" by the security checks required to invest in the

United States. Since Qatari gas can go many other places, the process must be managed carefully so that the United States does not lose Qatar as a supplier. Even though, the representatives maintained, Qatar Petroleum (QP) has more experience in the oil and gas business and has more money to invest in projects, the organization is still run by a few key individuals. The businessmen noted a trend whereby Qatar is increasing its shares of projects, and the IOCs are assuming a role more as service provider than equity partner.

"Qatarization" a Concern, but an Unachievable Goal

¶11. (C) The U.S. company representatives expressed their concern over the GOQ's "Qatarization" process, which has mandated that over the next few years foreign companies must have at least 50 percent Qatari employees throughout the organization. Noting that such participation is statistically impossible in a country where only 20 percent of the 1 million residents are Qatari, and fewer than that are of employable age or properly skilled, the head of ExxonMobil said senior Qatari officials are beginning to admit it's an untenable scheme. The Anadarko chief noted that Al-Attiyah recently told foreign energy executives that if their Qatari employees were not qualified, they should be fired. The chase for talent in Qatar is further hobbled because of restrictive immigration policies toward certain countries, particularly India and Pakistan. (Note: Once a foreign resident population approaches that of the native Qatari population, as has happened with Indians, the GOQ begins to restrict further immigration from that country.)

Energy Infrastructure Protection

¶12. (C) The heads of the U.S. energy companies told Secretary Bodman they are generally comfortable with the

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level of security in Qatar, though greater security at Ras Laffan would be welcome. Separately, oil platforms in the Gulf, they noted, are vulnerable to frequent approaches by fishing boats, since there is no way to keep them away. (See reftel for separate discussions of critical energy infrastructure issues.)

¶13. (SBU) Participants in the delegation's meetings included:

QATAR

Minister Al-Attiyah, Deputy Prime Minister and Minister for Energy and Industry
Mohammed Saleh Al-Sada, Minister of State for Energy and Industry Affairs
Hamad Rashid Al-Mohhanadi, RasGas Managing Director
Faisal Al-Suwaidi, CEO of QatarGas
Sa'ad Sherida Al-Kaabi, Qatar Petroleum Director of Oil and Gas Ventures
Abdelaziz Al-Malki, Office Director for the Minister
Abdulla Hussain Salatt, Senior Adviser to the Minister

U.S.

Secretary Bodman

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Charge d'Affaires Michael Ratney
Kevin Kolevar, Assistant Secretary for Electricity Delivery and Energy Reliability
Jeff Kupfer, Chief of Staff to the Secretary
Molly Williamson, Senior Foreign Policy Adviser
Benjamin Getto, Deputy Chief of Staff

George Person, Director for African and Middle East Affairs
Andrew Beck, Director for Public Affairs
James Hart, International Relations Specialist
David Fabrycky, Embassy Economic Officer

¶14. (U) Secretary Bodman's delegation cleared this message.
RATNEY